

March 11, 2002

Honorable Robert T. Matsui
U.S. House of Representatives
Washington, DC 20515

Dear Congressman Matsui:

I am pleased to respond to your request that CBO estimate the budgetary costs of Social Security certificates like those called for in H.R. 3135, the Social Security Guarantee Act of 2001. That bill would require the Social Security Administration (SSA) to issue to each individual entitled to benefits under Title II of the Social Security Act a certificate stating that these benefits are guaranteed. However, H.R. 3135 provides no details on how the certificates should appear nor what information they should include. In your letter, you specifically requested that CBO estimate the costs of the certificates assuming that they would be personalized, printed on cardstock, embossed, and display a government seal. The certificates would be sent to each recipient in a mailing separate from any other correspondence.

Based on data from the Government Printing Office (GPO) and SSA, CBO estimates that the total costs of issuing such certificates would be \$30 million in 2002, and about \$50 million over the 2003-2012 period. These costs include the printing and mailing of the certificates, responding to inquiries from those who receive the certificates as well as others who do not, and issuing replacement certificates to beneficiaries who report losing them. These costs would come from SSA's administrative budget, which is subject to annual appropriations.

The initial printing and mailing of the certificates to 47.5 million beneficiaries would cost \$20 million. Additional costs for new recipients would amount to \$2 million annually, beginning in 2003. The GPO indicated that if the certificates were mailed within 120 days of the enacting legislation, the private companies bidding on the contract likely would require a premium to produce the high volume of certificates under such time constraints. The GPO estimate included \$5 million for this premium.

CBO assumes that a significant number of people receiving the certificates would contact SSA with questions about them. CBO assumes that between 1 percent and 2 percent of recipients (about 700,000 in 2002) would call SSA, and that SSA would devote about 60 work-years of staff time to resolve the follow-up questions with a total cost of \$3 million. This follow-up rate is lower than the 3 percent rate SSA experienced with the initial issuance of Social Security statements containing earnings and benefit information in 1995, but higher than the 0.5 percent rate for a recent notice of a cost-of-living adjustment (COLA).

CBO also assumes that some people not receiving benefits would inquire about the certificates. CBO estimates that about 500,000 inquiries would come from non-beneficiaries, about three-quarters of them in the 60-64 age group. SSA's administrative costs of dealing with these inquiries would be \$2 million.

Growing costs after 2002 come from CBO's assumption that people would request that certificates that are lost or severely damaged be replaced, and that SSA would in fact issue replacements. Based on SSA's experience in replacing Social Security cards upon request, CBO judges that the annual costs of replacing the certificates would climb from \$2 million in 2003 to \$4 million in 2012.

This cost estimate is significantly higher than the costs we estimated last October for H.R. 832. In that earlier estimate, we projected an initial cost of \$10 million for certificates that would be more like notices that SSA periodically sends beneficiaries, without any personalized information or special mailing. Consequently, CBO estimated that the printing and mailing costs would be less, and the follow-up costs would be negligible. These analyses indicate that the administrative costs associated with the certificates are extremely sensitive to the design and appearance of the certificates and to the amount and type of personal information they display.

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I hope that this information is helpful to you. The CBO staff contact is Paul Cullinan.

Sincerely,

Dan L. Crippen
Director

cc: Honorable William "Bill" M. Thomas
Chairman
Committee on Ways and Means

Honorable Charles B. Rangel
Ranking Democrat

Honorable E. Clay Shaw Jr.
Chairman
Subcommittee on Social Security
Committee on Ways and Means

Honorable Jim DeMint
U.S. House of Representatives